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The Quarterly Report

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FIRST QUARTER OVERVIEW

The first quarter of 2007 provided a bit of a roller coaster ride for investors. The Dow Jones Industrial Average ended the quarter down 108.80 points, or 0.9%, at 12354.35, after some sharp moves up and down. The blue-chip average plunged 416.02 points, or 3.3%, on February 27th. It has rebounded 2.5% since hitting a closing low on March 5th, but remains 2.2% below its level before the one day sell off. Investors seem to be concerned about the possible impact of mortgage defaults and the housing downturn on the economy. With that said, earnings results continue to provide a positive outlook, providing support for current pricing of large company stocks.

The outlook for a Fed rate cut continues to be discussed with no definitive answers. Yields on longer-term Treasuries are higher than they have been in months; the 10-year yield crept above the two-year yield, reversing the phenomenon known as an inverted yield curve, when short-term yields are higher than long-term yields. The curve has taken on a more normal shape, although investors remain uncertain about the direction of rates in general. Finally, with the release of the British sailors imminent from the Iranian government, oil should settle back down in the near term.

This is the time of year when last minute deductions are in high demand for those completing their income tax returns. We are often asked which IRA one should choose. What the real question should be is: Will the *a) deductible IRA*, *b) the nondeductible IRA*, or *c) the Roth IRA*, provide the most retirement income?

A nondeductible IRA — sometimes called a taxable IRA — is an IRA that cannot be deducted from your taxable income. The amount of deductible contributions that you are allowed to make to a regular IRA phases out at higher incomes. For IRAs, deductible contributions are subject to the amount of your modified adjusted gross income tax-filing status, and whether you or a spouse participate in a qualified employer-sponsored retirement plan.

The Economic Growth and Tax Relief Reconciliation Act of 2001 expanded the future contribution limits to regular and Roth IRAs. In 2007, you can contribute up to \$4,000 to

a regular or Roth IRA in a year. A catch-up provision in the law allows workers age 50 to make even larger contributions. Contribution limits increase again in 2008. You can contribute to an IRA before the traditional tax-filing deadline of April 15. Feel free to call us to discuss your alternatives.

Recently I came across an article on a topic that I have been passionate about for over 20 years. That topic is the importance of teaching children about money. I currently have a son in college and a daughter who will be attending college in the fall. Both of them have heard me instruct them about saving and investing knowing that, one day, they too will have a family of their own requiring proper money management. *It is never too early to begin teaching money management.*

Children can be taught saving strategies as soon as they're earning an allowance. We often worked with the idea of three jars, "Spend, Save, and Give," encouraging them to fund accordingly, with the Spending part of the jar being divided between short-term savings and long-term investments. The latter might be established in mutual funds, while short-term savings could be tucked in a bank account.

There are many helpful resources online. The Investment Company Institute offers a comprehensive site with resources devoted to teaching children about saving and investing. Visit their website at:

http://www.ici.org/funds/inv/resources_young.html#TopOfPage

While on the subject of articles of interest, high net-worth individuals are desiring more access to their personal physician and are willing to pay for it. Physicians are launching concierge practices catering to the wealthy where they are pledging to always be reachable by cell phone, arrange same-or-next day appointments that last as long as necessary, and to never keep a patient waiting. According to Financial Planning magazine, this healthcare model has grown from about 200 physicians nationwide in early 2005 to more than 400 today. Before signing up with any concierge practice, the standard question should still be asked, "Is the fit between doctor and patient a good one?"

"Wisdom too often never comes, and so one ought not to reject it merely because it comes late."

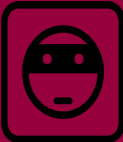
~ Felix Frankfurter ~

Mutual Fund Yardsticks	1 Year
S&P 500	12.12 %
Average U.S. Stock Fund	8.47 %
Average Foreign Stock Fund	17.65 %
Average Bond Fund	6.62 %

~ RWT

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**Scam
Alert**



This one's called "vishing," and the

ease of obtaining phone service over the Internet makes it possible.

Version #1:

Victims receive an e-mail saying their account information needs to be updated.

Version #2: *Scammers find victims through random automated phone calls, then inform unwitting prey that fraudulent credit card activity has been detected.*

In both versions, *the victims are asked to call a number—which connects them to the scammer—and then asked for personal account information.*

To protect yourself from identity theft, never call a number provided in an e-mail or phone message regarding security issues. Instead, call the number on your statement or the back of your credit / bank card to find out if the call is legitimate or to report the incident. [Loose Change]

Most Americans Unprepared for Financial Impact of Disability

Most Americans are not prepared to deal with the possibility of becoming disabled due to sickness or injury and leaving the workforce for an extended period of time. In fact, more than half of U.S. adults said they would be unable to pay their bills or meet expenses if they became disabled and could not work for a year or longer, according to a recent National Association of Insurance Commissioners (NAIC) study.



One-fifth of this nation's population will actually become disabled for a year or more before reaching age 65, according to the Social Security Administration (SSA). The most common causes of disability are heart disease, back injuries and cancer, followed by stress, anxiety and depression according to the U.S. Department of Education and the National Institute on Disability and Rehabilitation.

These findings, according to the NAIC and financial planners, underscore the need for long-term disability insurance. Nearly half of Americans do have long-term disability insurance, but much of it is employer provided rather than individually purchased, meaning that a significant number of people could lose their coverage in the event of a change in employment status.

Disability insurance is designed to protect people financially by replacing some of their lost income. *Short-term* disability insurance, which some states require employers to carry for their employees, replaces a portion of the policyholder's salary for a short-period—typically from three to six months following a disability, according to NAIC. *Long-term* disability insurance coverage typically begins after the policyholder is disabled and unable to work for at least six months, and can stipulate a waiting period, such as 90 days, before benefits are paid. The coverage period and benefit period can extend for a specific number of years or until the policyholder retires or turns 65, depending on the policy selected and the type of disability.

Disability is typically defined as the inability to work due to an illness or injury, but the insurer's definition of disability is a key factor in how one should shop for a policy. So what should Americans consider when evaluating disability insurance?

First, determine how much money you'll need to cover all of your critical expenses (such as housing, food, utilities and transportation) should you become disabled. Generally, disability insurance should cover about 60 percent of your annual income.

Those who have a pre-existing health condition, such as a back problem or heart ailment, may have to purchase a policy with an "exclusion" rider. If the disabled person can provide documentation that the pre-existing condition has improved, the insurer may remove the rider after a specified time period. Typically, younger, healthier individuals pay lower disability premiums, and if you can get a "non-cancelable" policy, your coverage can't be cancelled and the premiums can't be raised once your medical exam has been approved and your policy issued.

Before purchasing any disability policy, consumers should check with their state insurance department to make sure the company offering the coverage is legitimate, solvent and authorized to do business in their state, as well as evaluate the financial strength of the company and research any previously filed complaints about their claims-handling experience.

[Financial Planning Association]